Fiscal Year 2014-15
Annual Operating Budget
&
Capital Improvement Program
City Council Workshop May 21, 2014
Budget Workshop Agenda

• Introduction
• FY2014–15 Highlights
  • 5-Year Capital Improvement Program
  • Annual Operating Budget
  • Temecula Community Services District
• 5-Year Financial Plan
• Proposed Budget Policies
Introduction

• City Profile
  - Population: 106,289 (1.3% increase from 2013)
  - Median Age: 34
  - Number of Households: 33,535
  - 2013 Temecula Average Household Income: $80,729
  - Median Existing Home Sales Price: $427,009 (March 2014)
  - 2013 Number of Jobs: 42,983
  - Temecula Unemployment: 5.6% (April 2014)
Introduction

• **Quality of Life Master Plan Core Values**
  - Healthy and Livable Community
  - Economic Prosperity
  - A Safe and Prepared Community
  - A Sustainable City
  - Transportation Mobility and Connectivity
  - Accountable and Responsive City Government
Introduction

• QLMP Progress
Introduction

- QLMP Progress
  - 9 projects completed!

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**2010**

- Commissioning of Teen Village Study
- State-of-the-art Technology for Temecula Public Library
- Creation of Business Incubator
- Opening of Inclusive Special Needs Play Structure
- Update Parks Master Plan
- Commence 795 Interchange

**2015**

- Higher Education Expansion
- Initiate Murrieta Creek, Phase II
- Initiate Entertainment Center
- Initiate General Plan Update
- Murrieta Creek Phase II Complete
Introduction

- **QLMP Progress**: 6 additional projects in progress
Fiscal Years 2015-2019
Capital Improvement Program
Capital Improvement Program
Fiscal Years 2015-2019

Highlights:

• $451.9 million in Total Project Costs
  • $326.2 million programmed to complete projects
  • $125.7 million spent-to-date
    • $221.8 million funded

• 49 Capital Projects

• $12.3 million appropriated in FY14-15

• $48.3 million carried over from prior years
### Capital Improvement Program
Fiscal Years 2015-2019

<table>
<thead>
<tr>
<th>Type of Project</th>
<th>Number of Projects</th>
<th>Cost to Completion</th>
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<tbody>
<tr>
<td>Circulation</td>
<td>17</td>
<td>$285,451,085</td>
</tr>
<tr>
<td>Infrastructure/ Other</td>
<td>22</td>
<td>$28,368,905</td>
</tr>
<tr>
<td>Parks and Recreation</td>
<td>9</td>
<td>$7,024,462</td>
</tr>
<tr>
<td>SARDA/ Housing</td>
<td>1</td>
<td>$5,356,744</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>49</strong></td>
<td><strong>$326,201,196</strong></td>
</tr>
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</table>

- **Circulation** accounts for 87% of the total cost, with a cost of $285,451,085.
- **Infrastructure/ Other** projects cost $28,368,905, representing 9%.
- **Parks and Recreation** projects cost $7,024,462, representing 2%.
- **SARDA/ Housing** projects cost $5,356,744, representing 2%.

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*Image of a pie chart showing the distribution of costs.*
Circulation Projects

17 Projects totaling $285,451,851

- French Valley Parkway/ I-15 Phase II
- I-15/State Route 79 Ultimate Interchange
- Murrieta Creek Bridge & Overland Dr. Extension
- Pavement Rehabilitation Program
- Traffic Signal Equipment Replacement Program
**Infrastructure Projects**

22 Projects totaling $28,368,905

- City Sidewalks
- Bike Lane & Trail Program
- City Facilities Rehabilitation
- Library Parking – Phase II
- Pauba Road Sidewalks
- Citywide Surveillance Cameras
Infrastructure Projects, continued

22 Projects totaling $28,368,905

- Temecula Park & Ride
- Theater Remediation
- Former YMCA Repair & Remediation
- Evaluation of Disabled Access to City Facilities
- Fire Station #73 Living Quarters Upgrade
Parks & Recreation Projects

9 Projects totaling $7,024,462

- Pennypickle’s Workshop Exhibit/Enhancement Project
- Parks Improvement Program
- Playground Equipment & Safety Enhancement
Parks & Recreation Projects

9 Projects totaling $7,024,462

- Sam Hicks Monument Park Playground Replacement

- Senior Citizen Outdoor Fitness Lot

- Special Needs Playground
Capital Improvement Program
Fiscal Years 2015-2019

SARDA/Housing Projects
Available Funding $5,356,744

- Affordable Housing
  - Remaining 2010 bond proceeds
  - Specific Project(s) to be identified
Next Steps

Planning Commission – May 21, 2014


Community Services Commission - June 9, 2014

City Council, Formal Adoption - June 10, 2014
FY2014-15
Annual Operating Budget
General Fund
FY14-15 Annual Operating Budget

General Fund Highlights:

Revenue $61,977,759
Expenditures $61,639,375
Revenue – Expenditures $338,385

Transfers Out:
- Capital Improvement Projects $1,069,902
- Intern Fellowship Program $12,000
- Affordable Housing Fund $23,307
- Business Incubator Fund $39,693
$1,144,902
General Fund Highlights:

- 7/1/14 Beginning Fund Balance: $23,437,974
- 6/30/15 Ending Fund Balance: $23,447,859
  - Reserved for Economic Uncertainty (20%): $12,327,875
  - Reserved for Compreh. Annual Leave: $1,170,243
  - Assigned to Capital Projects: $4,506,333
  - Assigned to Unrealized Gains: $250,000
  - Available/Secondary Reserve: $5,193,408
FY14-15 Annual Operating Budget

General Fund Revenue:
Revenue = $61,977,759

- Sales and Use Tax: 47%
- Property Tax: 10%
- Other Revenue: 14%
- Franchise Fees: 6%
- Transient Occupancy Tax: 4%
- Special Tax (Measure C): 3%
- Intergovernmental Revenues: 11%
- Operating Transfers In: 5%
## FY14-15 Annual Operating Budget

### General Fund Revenue:

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>FY14-15</th>
<th>% Chg</th>
<th>Assumptions</th>
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<tbody>
<tr>
<td>Property Tax</td>
<td>$6,332,015</td>
<td>4.2%</td>
<td>Increased Property Values</td>
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<tr>
<td>Sales and Use Tax</td>
<td>29,273,980</td>
<td>2.7%</td>
<td>Growth in most sectors</td>
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<td>Franchise Fees</td>
<td>3,736,896</td>
<td>2.7%</td>
<td>Projected inflation</td>
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<tr>
<td>Transient Occupancy Tax</td>
<td>2,766,390</td>
<td>2.2%</td>
<td>Projected inflation</td>
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<tr>
<td>Special Tax (Measure C)</td>
<td>1,861,617</td>
<td>-0.1%</td>
<td>Higher allocation to TCSD</td>
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<tr>
<td>Intergovernmental Revenues</td>
<td>6,560,736</td>
<td>3.5%</td>
<td>Increased Property Values</td>
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<tr>
<td>Operating Transfers In</td>
<td>2,973,923</td>
<td>1.0%</td>
<td>Increased Gas Tax</td>
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<td>Other Revenue</td>
<td>8,472,202</td>
<td>-2.9%</td>
<td>Reduced Reimbursements</td>
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<tr>
<td><strong>Total General Fund Revenue</strong></td>
<td><strong>$61,977,759</strong></td>
<td>1.9%</td>
<td></td>
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</tbody>
</table>
FY14-15 Annual Operating Budget

General Fund Expenditures:
Expenditures = $61,639,375

- Public Safety: 48%
- Debt Service: 3%
- Administration: 12%
- TCSD Funding: 8%
- Community Development: 7%
- Economic Development/Community Support: 2%
- Public Works: 20%
FY14-15 Annual Operating Budget

General Fund Expenditures:

- Police Department (39% of General Fund)
  - Operating Budget = $23,870,353

- Total staffing = 134
  - 100 Sworn Officers, 19 CSOs, 15 Administrative

- 6% increase in Sheriff Contract, offset by:
  - Continuation of 3 vacant positions ($832k)
    - SET Officer, Motorcycle Officer, Accident Investigator

- Continued cost sharing arrangement with TVUSD
  - 50% for 5 School Resource Officers
FY14-15 Annual Operating Budget

General Fund Expenditures:

- Fire Department (8% of General Fund)
  - Total Staffing = 65

- Operating Budget = $12,131,288
  - Less Fire Tax Credit of $6,974,780
  - General Fund impact of $5,156,508

- 5.6% increase in Fire Contract, offset by:
  - Chief vacancy, 6 months ($138k)
  - Command structure will maintain 2 Battalion Chiefs & 1 Fire Safety Supervisor

- Maintaining staffing ratio of 4 personnel/engine
General Fund Expenditures:

- Community Support Grants (non-profits) = $76,000
  - $60,000 annual allocation
  - $16,000 additional from 2014 Rod Run proceeds

- TCSD Funding Contribution (formerly called “REST”) = $5,094,696
  - Recreation = $4,074,216
  - Library = $649,932
  - Service Level B – Residential Street Lights = $370,548
FY14-15 Annual Operating Budget

General Fund Expenditures:

• Recommended Over Target Requests:
  • Update to City Website ($60k)
  • Cost Allocation Plan and Fee Study ($75k)
  • Update of KMA Study of Old Town/Infill Projects ($100k)
  • Classification & Organizational Efficiency Study ($11k)
  • Replacement of 3 Public Works vehicles ($82.5k)
  • Election costs, allocated by Riverside County ($119k)
  • Maintenance for Skyview Park (Roripaugh) for six months ($25k)
Staffing/Salaries & Benefits:

- No additional full-time/benefitted staff
- Project staff held constant to FY13-14 levels
  - Unless offset by operational savings
- Memorandum of Understanding (MOU) impacts included
- Intern Fellowship Program funded at $12,000
  - “Just Add One” campaign to partner with private sector
FY14-15 Annual Operating Budget

Temecula Community Services District (TCSD)
FY14-15 Annual Operating Budget

TCSD Revenue = $18,718,242

- TCSD Funding, $5,094,696
- Special Tax, $1,861,767
- Contract Classes, $1,029,400
- Assessments, $9,242,991
- Recreation Fees, $1,437,743
- Other, $51,645
FY14-15 Annual Operating Budget

TCSD Expenditures = $19,364,299

- Recreation, $8,345,889
- Street Lighting, $1,011,932
- Landscape/Slope Maintenance, $2,074,545
- Refuse & Recycling, $6,802,406
- Road Maintenance, $9,650
- Intern Fellowship, $12,000
- Library, $868,555
- Harveston Lake Park Maintenance, $239,322
TCSD Per Capita Funding
• Special Tax (Measure C) fixed at $74.44/Household

Note: TCSD Funding reduced in FY 12-13 due to Parks Maintenance moving to General Fund
Temecula Community Services District (TCSD)

- 2014-15 Program Highlights
  - Re-opening of Temecula Community Center (TCC)
  - Full-time utilization of Jefferson Recreation Center (JRC)
  - Human Services/Special Needs Programs
  - Cultural Arts
    - Movies in the Park, Summer Concert Series, Street Painting
FY14-15 Annual Operating Budget

Temecula Community Services District (TCSD)

• 2014-15 Program Highlights, continued
  • Old Town/Signature Events
    • Rod Run, Western Days, 4th of July Fireworks Show & Parade, Santa’s Electric Light Parade, Temecula On Ice
  • Recreation/Sports
  • Active Adult/Senior Programs
Successor Agency to the Temecula Redevelopment Agency (SARDA)
FY14-15 Annual Operating Budget

SARDA Operating Budget

• Debt Service  $6,615,533

• Enforceable Obligations  $1,231,000
  • Abbott OPA
  • Abbott DDA
  • Affordable Housing Obligations
Next Steps

The proposed Operating Budget along with the CIP will be presented to the City Council for formal adoption on June 10th
5-Year Financial Plan
5-Year Financial Plan

General Fund Historical Perspective

• Accumulation of resources has allowed for the creation of outstanding City facilities/programs/service levels

• Strong fiscal management carried City through the Great Recession

• Significant investments have been made since 2008-09
  • Facilities
  • Road Maintenance
  • Infrastructure
5-Year Financial Plan
5-Year Financial Plan

General Fund - Ending Fund Balance Trend

Ending Fund Balance

20% Required Reserve

Accumulation of Resources


Ending Fund Balance 20% Required Reserve

Ending Fund Balance

$50,000,000

$45,000,000

$40,000,000

$35,000,000

$30,000,000

$25,000,000

$20,000,000

$15,000,000

$10,000,000

$5,000,000

$ -


Ending Fund Balance 20% Required Reserve

Ending Fund Balance

$50,000,000

$45,000,000

$40,000,000

$35,000,000

$30,000,000

$25,000,000

$20,000,000

$15,000,000

$10,000,000

$5,000,000

$ -


Ending Fund Balance 20% Required Reserve

Ending Fund Balance

$50,000,000

$45,000,000

$40,000,000

$35,000,000

$30,000,000

$25,000,000

$20,000,000

$15,000,000

$10,000,000

$5,000,000

$ -


Ending Fund Balance 20% Required Reserve
5-Year Financial Plan

General Fund - Ending Fund Balance Trend

- Ending Fund Balance
- 20% Required Reserve

Investment of Resources
Investment of Resources

• Since 2008-09, the City has strategically invested its Secondary Reserves in infrastructure, facilities and pavement rehabilitation
5-Year Financial Plan

Transition from a Growth-City

• City is transitioning into “maintenance mode”

• Shift focus to:
  • Preservation/replacement of City assets
    • roads, facilities, infrastructure, technology
  • Long-term strategic planning
  • Fiscally sustainable programs/services
    • Minimize subsidies
5-Year Financial Plan

Future Projections – status quo

General Fund 5-Year Projections
Revenues over Expenditures

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditures</th>
<th>Revenues</th>
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<tbody>
<tr>
<td>FY12-13</td>
<td>50,000,000</td>
<td>55,000,000</td>
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<tr>
<td>FY13-14</td>
<td>52,000,000</td>
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<td>FY14-15</td>
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<td>FY15-16</td>
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<td>FY16-17</td>
<td>60,000,000</td>
<td>75,000,000</td>
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<tr>
<td>FY17-18</td>
<td>62,000,000</td>
<td>80,000,000</td>
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</tbody>
</table>
5-Year Financial Plan

Future Projections – status quo

Expenditures projected to exceed Revenue by FY17-18

General Fund 5-Year Projections
Revenues over Expenditures

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Expenditures</th>
<th>Revenues</th>
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<tbody>
<tr>
<td>FY12-13</td>
<td>48,000,000</td>
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</tr>
<tr>
<td>FY13-14</td>
<td>52,000,000</td>
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<tr>
<td>FY14-15</td>
<td>56,000,000</td>
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<tr>
<td>FY15-16</td>
<td>60,000,000</td>
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<tr>
<td>FY16-17</td>
<td>64,000,000</td>
<td></td>
</tr>
<tr>
<td>FY17-18</td>
<td>68,000,000</td>
<td></td>
</tr>
</tbody>
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5-Year Financial Plan

5-Year Challenges

• Identify ongoing funding sources for Pavement Management Program
  • Secondary Reserve is a finite source of funds

• Adequate cost recovery for City services
  • Fund subsidies are not sustainable
    • TCSD, Service Levels, Affordable Housing

• Maintain Temecula’s high quality of life
  • Amenities, service levels, programs
5-Year Financial Plan

Recommendation

• Staff recommends the City Council form a “Long-Term Fiscal Planning” ad hoc sub-committee to work with Staff to:
  
  • Develop initiatives to address challenges facing City
  
  • Develop strategies to guide future budgetary decisions
Proposed Budget & Fiscal Policies
Policy Modification

- 20% Reserve for Economic Uncertainty eligible uses:
  - Local disasters/acts of nature
  - Loss of major revenue source(s) due to financial hardship or economic downturn
  - State-imposed revenue reduction or mandated payments
  - Significant unanticipated expenditures
  - Substantial payout of Comprehensive Annual Leave
Proposed Budget Policies

Proposed New Policy

- Establish a “Secondary Reserve for Contingencies”
  - Additional reserve equal to 5% of General Fund Expenditures

- Use of funds limited to:
  - Cover annual revenue shortfall (operating deficit)
  - One-time Capital investments that create long-term savings
  - Leverage grant funds
  - Funding that creates economic benefit to City
Proposed New Policy

- Contingency Planning
  - Provides for a measured response to potential fiscal challenges
  - Outlines the hierarchy of utilizing reserve funds
    - Dictated by type of fiscal challenge
  - One-time events (i.e. disaster or State mandated payment)
    - Appropriate to use Secondary Reserve first
    - Use Reserve for Economic Uncertainty as last resort
Proposed Budget Policies

Proposed New Policy

• Contingency Planning, continued
  • Ongoing fiscal constraints (i.e. loss of major revenue source)
    • Secondary Reserve shall be utilized first
    • Use of Reserve for Economic Uncertainty shall not exceed two budget cycles
      • Provides Management time to implement reduction measures
      • Limits dependency on reserves to cover Operations
  • Implementation of Contingency Plan requires Council approval
Proposed New Policy

• Replacement Funds
  • Vehicles & Equipment Fund
    • Establishes criteria for asset replacement
      • 3+ year useful life with cost in excess of $10,000

• Technology Replacement Fund
  • New fund
  • Establishes criteria for technology equipment/software replacement
    • Annual lifecycle replacement
    • 3+ year useful life with cost in excess of $3,000
Special Thanks!

To all Department Directors & Analysts &
Temecula’s Budget Team
Heidi Schrader, Rudy Graciano, Pascale Brown,
Shirley Robinson, Evelyn Watson
Questions/Discussion